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**IP Newsletter**  
Intellectual Property,  
Entertainment Law and  
Information Technology  
Specialist Group

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Greetings!

Welcome to the first E-Newsletter from the Intellectual Property, Entertainment Law and Information Technology Specialist Group of Consulegis, an International Association of Lawyers. Consulegis is comprised of more than 90 law firms with over 100 offices in 38 countries.

Consulegis members specializing in intellectual property, entertainment law and information technology law each provide professional services in their own specific country, and can collectively provide a unique, international team approach to issues involving multiple countries. Our comprehensive services can range from litigation to contract negotiations as well as protection of intellectual property rights and strategic planning.

Please contact us if you would like to receive further information on Consulegis, our Specialist Group, or how to obtain specialized assistance from any of our members.

Best regards,

Jeffery J. Daar  
Chairperson,  
Consulegis Intellectual Property, Entertainment Law  
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*“The legal consequence of the exception is that a private copy will not be considered as an infringement of copyright.”*

## CONSUMER ORGANIZATION FILES CLAIM AGAINST MUSIC MAJORS

By Christine De Keersmaecker

Test-Achats, a Belgian consumer organization, filed a claim before the President of the Brussels Court of First Instance related to infringement of copyright against 4 music majors for use by these music majors of measures of copy-control on various CD's.

According to Test-Achats, these measures would prevent consumers from making private copies of CD's, although legally in their possession and also would make it technically impossible to play the CD's on some players, such as computers, DVD-Rom players, etc.

Test-Achats claimed that by doing so, the majors infringe the consumer's right to make a private copy, as referred to in article 22.5 of the Belgian Copyright Act of 30 June 1994.

Article 22.5 of the Belgian Copyright Act stipulates that when the *“work has been legally published, the author cannot oppose the reproductions of audio and audiovisual works made in the “family circle” and solely intended for use within that “family circle.”* A similar provision exists with regards to neighboring rights.

The question arose whether consumers have a “right” to make a private copy or whether the right to make a private copy is solely an exception to the copyrights of the authors.

Test-Achats also submitted that a levy relates to private copying already exists on digital supports and requested a prohibitory injunction before the President of the Brussels Court of First Instance in summary proceedings.

The President of the Brussels Court of First Instance ruled on 25 May 2004 that a private copy is not a right but an exception: it is only because the general rule grants a monopoly to the right-owners on the reproduction of their work, that the private copy was introduced as an exception to that rule. This exception must remain within strict limits in order to respect the rights of copyright owners.

The exception only implies, according to the Court, that the making of a private copy is not subject to previous authorization by the copyright owner. The legal consequence of the exception is that a private copy will not be considered as an infringement of copyright. It does not create an absolute right for the consumer to make a private copy.

## PRODUCERS LOVE LOAN-OUT CORPORATIONS

By Sidney Bluming



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*“The producer,  
if prudent,  
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the loan-out  
entity to have  
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agreement with  
the performer.”*

Sometimes simple things are made difficult. When a producer hires a performer, or a significant advertiser hires a model for more than a single appearance, a contract is required. This often causes the producer a problem in that in such event the personality may be considered an employee even though the engagement is for a limited project or period of time. This raises significant problems for the producer, which it will seek to avoid.

An employer is required to realize much greater administrative burdens and expenses than one who retains an independent contractor. First, the individual must be put on the “payroll.” Taxes and other payroll deductions must be withheld and dealt with; payroll tax returns must be filed; the immigration status of an international performer must be reconciled; Social Security deductions must be matched by the employer; and other employment benefits must be provided; workmen’s compensation insurance is required; and actions by the employee may produce “vicarious liability” on the part of the employer if someone is injured during the performance of the “employee’s” job.

The device most often used to avoid this is the loan-out company. This requires the performer to have a legal entity, usually a corporation, but it could also be a limited liability company, which the producer will engage as an independent contractor. The producer contracts with the entity and pays it the agreed upon gross compensation. The producer, by agreement, disclaims any other responsibility for the performer. In fact, the entity is the employer of the performer, and agrees in the contract to provide the services of the performer. The loan-out entity pays the performer the salary, etc., and is employer of record for all purposes – with all the attendant burdens and expenses.

The producer, if prudent, will require the loan-out entity to have an employment agreement with the performer. More importantly, the individual performer must be asked to guaranty the obligations undertaken by the entity, including providing that performer’s services.

This completes what is obviously a large circle, but one that most producers are insisting upon. However, for their own reasons, many performers have long used such an entity as a vehicle for organizing their careers. It provides some great flexibility, and anonymity in the event of a legal dispute with the producer.



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*“Finally, this modified code supports protective measures by extensive prohibitions concerning transactions structured for the purpose of evading the law.”*

## A FIRST STEP HAS BEEN MADE

*By Denis Schultheis*

As we all already know, the development of the "New Media" and especially the internet has caused and still causes trouble and continues to raise tons of legal questions. One of the fields of law which has historically been experienced with new challenges, and which might be assumed as one of the most up to date laws, is copyright. But surprisingly it faces many difficulties, which makes progress in Germany for official, standardized regulations slow. Therefore, a short update about the current situation regarding the copyright law in Germany seems to be a good starting point and platform for this (first) Consulegis IP-Newsletter.

Since September 2003 the German Copyright Act (Urheberrechtsgesetz – UrhG) has been amended with regulations concerning what is called "information society" and its technical development. With the beginning of the "digital age" and its rapid commercial exploitation, including the internet, it became necessary to extend the protection of the authors/

creators also to the exploitation of their work in the internet. Finally, after the WIPO treaties of 1996 (WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty 12-20-1996), which have been specified and partly widened by the EU directive of 2001 (2001/29/EG), it was possible to create a new/updated law, without fearing immediate adjustments.

Last year the following extracted amendments to the existing German Copyright Act were implemented: the justification of the utilization rights concerning the usage of works in digital form. Further, necessary barrier regulations – as they are called – are added and some were amended to the new utilization possibilities; the codified articles concerning the protection of technical measures and the necessary information regarding the preservation of privileged interests were a significant innovation and probably represent a core part of these adjustments. Finally, this modified code supports protective measures by extensive prohibitions concerning transactions structured for the purpose of evading the law.

Does Germany have now a perfect new and updated copyright law? No, it does not. Sadly, but obviously these innovations only represent the basic and mandatory adjustments. Other controversial questions, such as the right to have a digital private copy or the relation between flat rate fees and individual payments, remain unanswered. Therefore, this first step has been called "Korb 1" (meaning: basket 1). But the next step is currently in preparation. An official working group called "Arbeitsgruppe Urheberrecht – Korb 2" (meaning something close to: Copyright Working Group – Basket 2) has been appointed. Herewith, besides the interests of the creators/authors, the interests of the user will also be taken in consideration. In addition, as already mentioned, "Digital Rights Management" is one of the issues that will be focused on. The legislative procedure for this second basket shall be based on cooperation between the different groups of interest. Therefore, the views of different representatives were canvassed up to the end of May 2004. The results shall be implemented in the new draft of the upcoming amendment, which is eagerly awaited by the affected groups.

The good thing about the situation described before is that it gives the author of this article a ready-made theme for the next article.

## DILUTION OF THE UNITED STATES ANTI-DILUTION TRADEMARK STATUTE?

By George W. Rooney, Jr.



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Many firms throughout the world do business in the United States, and rely upon intellectual property protections in the United States, including those relating to trademarks. Generally speaking, if a junior user's use of a mark in connection with its goods or services is "likely to cause confusion" among consumers with respect to a senior user's trademark use, the use by the junior user may be enjoined. However, in the absence of sufficient overall similarities between the marks, their uses and the overall circumstances, "likelihood of confusion" often cannot be established.

This left a void, where the strength of a trademark could be "diluted" by junior users under circumstances which did not meet the "likelihood of confusion" requirement. To address that void, the Federal Trademark Dilution Act (FTDA) was enacted in 1996.

The FTDA entitles the "owner of a famous mark" to an injunction "against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark..." 15 USC §1125(c)(1) The term "dilution" is defined to mean "the lessening of the capacity of a famous mark to identify and distinguish goods or services," 15 USC §1127, and does not depend upon either competition or likelihood of confusion. This apparent void-filler, however, is now subject to a difficult degree of proof in view of the decision of the United States Supreme Court in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003). In the *Moseley* case, the firms owning the VICTORIA'S SECRET trademarks filed a federal dilution claim against the proprietors of a store named "Victor's Little Secret," which sells adult videos, "adult novelties," and lingerie.

Despite the lower courts' findings that the Victoria's Secret trademarks had been "blurred" and "tarnished," the Supreme Court reversed, determining that the FTDA requires proof of "actual dilution," and concluding that "There is a complete absence of evidence of any lessening of the capacity of the Victoria's Secret mark to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs." The Supreme Court was unmoved by arguments that evidence of "actual dilution" is difficult to obtain, since consumer surveys are expensive and often unreliable.

Trademark owners intending to rely upon the federal anti-dilution statute in the United States must understand that they will face the difficult requirement of proving "actual dilution."

*"The Supreme Court was unmoved by arguments that evidence of "actual dilution" is difficult to obtain, since consumer surveys are expensive and often unreliable."*



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*“The defendant argued that the form of the bottle was not unique and should not have been registered as a trademark in a first step.”*

## THE RANGE OF PROTECTION OF TRADEMARKED FORM UNDER AUSTRIAN LAW

### Decision of the Austrian Supreme Court

*By Rainer Maria Kraft*

#### FACTS

The claimant is the Austrian leading distributor of mineral water. The characteristic bottle, in which the product of the claimant is distributed, had been registered as Trademark in the Austrian Trademark Register regarding products of class 32 classification of Nice (beverages). The colour of the bottle is light blue. In the lower part of the corpus of the trademarked bottle, there are some typical three-dimensional waves, which lap around the body of the bottle and lead to its typical form.

The bottle of the opposing party, which is also an Austrian distributor of mineral water, has almost the same colour and looks generally quite similar to the bottle of the claimant. One major difference is that the “waves” which surround the body of the defendant's bottle are located on the top part of the bottle. Another important difference regarding the appearance of the bottle is that the label of the defendant isn't similar at all to the label of the plaintiff.

According to experience, bottles of mineral water are generally sold with the label of the distributor on it, so that one could allege, that there is no danger for the consumers of confusing both products – an argument which of course was intensely used by the defendant.

The plaintiff filed for injunctive relief and abolishment as well as compensation, claiming a violation of its trademarked bottle as well as an infringement of competitive law by copying the unique design of the bottle and profiting from the high quality reputation of the plaintiff. The defendant argued that the form of the bottle was not unique and should not have been registered as a trademark in a first step. Furthermore the defendant brought forward the argument mentioned above, that there would be no danger of confusing these two products since both labels weren't similar at all.

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### DECISION OF THE AUSTRIAN SUPREME COURT

Whereas the Commercial Court of Vienna and the Court of Appeal of Vienna had dismissed the claim following the argumentation of the defendant, the Austrian Supreme Court allowed the claim after having admitted the appeal because of the lack of relevant jurisdiction. Just like the Commercial Court of Vienna the Austrian Supreme Court held the view that the design of the bottle was sufficient unique so that there was no barrier for registration according to *Art 4 par.1Z6 österreichisches Markenschutzgesetz (MarkenSchG = Trade-Mark Act)*.

Following the opinion of the Austrian Supreme Court, the major task of the trademark is the function of branding, which means that the trademark itself warrants as well as it indicates the origin of goods and enables the consumer to distinguish these goods from the goods of other market players. The danger of misleading consumers and confusion can only occur if the respective sign is used as an indicator of the origin of the goods.

These principles are also valid for trademarks, which consist in the special design of a product (in this case the special form of the bottle). Important is, if the trademarked form melts with the product itself in regard to its appearance and can therefore be no longer a separate sign of the origin of a product. Regarding the form of the bottle of the plaintiff, this wasn't the case.

The juridical opinion of the commercial court and the appeal court, that the completely different label could prevent any danger of confusion, was rejected by the Supreme Court arguing that the trademark in this very case was solely the special form of the bottle. Therefore, the label has to stay out of regard investigating the question, if there is some danger of confusing the trademark. Since the bottle of the defendant was - apart from the fact that the waves surrounding the body of the bottle were located on the top of the bottle - very similar, the Austrian Supreme Court stated an infringement of the trademark and allowed the claim.

The decision is very important for the development of the Austrian trademark law, since the Austrian Supreme Court establishes an efficient protection for trademark forms with it. Generally trademarked forms are gaining an increasing importance on the international market, since the design of products has become one of the major factors of sale, especially for lifestyle products.

*“...the major  
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*“Brazilian  
 legislation  
 ascribed to the  
 titleholder of  
 author’s rights  
 the faculty of  
 authorizing use  
 of the work,  
 following  
 subjective  
 convenience  
 criteria.”*

## INTELLECTUAL PROPERTY: DIFFERENCES BETWEEN BRAZILIAN AND U.S. LITIGATION

*By Roberto Corrêa de Mello*

The differences and similarities between the U.S. and Brazilian systems in the area of intellectual property generate discrepancies regarding formal and material reciprocity. While Brazilian law is inspired by European law, particularly German and French, U.S. legislation is based on commercial practices, which provides for features that are predominantly business-oriented, the concepts of which differ profoundly from those of the classical composition of European law. Brazilian legal existence has doctrines that are very close to personality rights, as opposed to the business foundations of U.S. law.

In 1916 our Civil Code conveyed the first rules that are pertinent to author’s rights, determining an indissoluble link between the author and his/her/its creation. Only in 1973, with the advent of Law No. 5988, did jurists develop a statute that enhanced the personal link between the titleholder and his/her/its creation, clearly delimiting what are moral rights and property rights, which reflect the aspects of commercial nature or of economic exploit of the literary, artistic or scientific work.

This link between the author and the work is the legal base of author’s rights in Brazil. The Constitution of 1988, in its Article 5, items XXVIII, XXVIII and XXIX, determined what are known as intellectual property rights, always entailing the authors with the creation process and with the right of economic exploit of his/her/its works. Ten years later, in 1998, Law No. 9610 was conceived in the wake of such constitutional provisions. Brazilian legislation ascribed to the titleholder of author’s rights the faculty of authorizing use of the work, following subjective convenience criteria. This enables the titleholder to avail him/her/itself of the work as he/she/it wishes.

The titleholder has the “last word” concerning the use of his/her/its work, following criteria of a very personal order, as well as of convenience and of timeliness of use, in the various categories. It is for this reason that the moral rights that make up the subjective link between the author and his/her/its creation may not be transferred to third parties, under any category, whether on a chargeable basis or cost-free. On the other hand, in the U.S. intellectual property has a legal figure that differs from Brazil’s. Brazilian legislation basically follows the parameters of the Bern Convention, signed by the countries that adopt the legal system of author’s rights. As the U.S. is not a signatory to such convention, it adopted a legal instrument known as *copyright (the right of copying)*. In the pure sense of the term, *copyright* means to characterize rights over a given creative process, which takes place upon registration of the protected work, as materially established based on an act of registration.

Thus, if the right is created upon the registration, this means to say that there is no right without registration. It also means to say, according to U.S. legislation, that the right does not arise in respect of the titleholder but rather in relation to the work. The Rome Convention, originated in 1961 and ratified by the Brazilian Congress, admits that local laws can provide for exceptions to the protection of the copyrights of artists, performers, musicians and producers in phonograms. However, such restrictions cannot suppress within the copyright concept the final word of the titleholder, who has the right to assess the

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timeliness and the convenience of use of his/her/its creation. The U.S. concept of *copyright* differs frontally from our author's rights. In the U.S., such restrictions have a broader nature, inasmuch as the figure of the titleholder is abstracted, enabling the U.S. legislator to legally impose rules that provide exception for the exercise of rights, through a true displacement of the act of individual will, so as to impose the sovereignty of the act of State.

Through the principle of formal reciprocity, on the terms of Brazilian legislation, it suffices for a U.S. author to prove that he/she/it has edited, under any category, his/her/its work in the U.S. Inversely, for a Brazilian author to invoke his/her/its title before U.S. courts it is indispensable to present the registration of his/her/its work. The law that governs the protection of a foreign author that is not resident in Brazil is the same as that which deals with the rights of local authors. In a globalized scenario and in view of the importance that the U.S. culture has assumed in the contemporary society, formal and material reciprocity increasingly become a social imposition. It is latent that one must set policies that implement treatments to accept both concepts, universalizing the procedures concerning remuneration for the use of intellectual property.

The so-called connected rights in Brazil and in the U.S. also have different treatment. Brazil was one of the first to adopt protective rules, while the U.S. – which detains a major portion of the assets relative to artistic rights that are divulged worldwide – adopts non-unified legal treatment and systems for collection. The connected rights in the artistic area, particularly in the musical-artistic area, have significant importance in Brazil: in the ambit of public performances they correspond to 1/3 of the total volume of musical collections.

In Brazil, the so-called phonomechanical rights – for which only the authors are titleholders – are paid directly by the phonographic producers to the titleholders, without any collective management. This is because, according to the concept of author's rights, the phonographic producer may only materially fix the work upon authorization by the titleholder, thereby establishing a contractual link that enables direct payment upon settlement of accounts, identifying the number of phonograms commercialized within the period of accrual, usually quarterly. As regards performers, the link is also contractual and is established based on the notoriety of the artist and the scope of his/her/their communication to the public. The accompanying musicians also establish specific authorizations and are remunerated by the phonograph producers. In the U.S. there is collective management of phonomechanical rights, and the Harry Fox Association currently assembles the largest volume of copyright assets, without any reference to the so-called connected rights.

Rights for public performance in the U.S. are managed by an association named BMI, which collects remuneration that stems from performance of the *copyright*. In Brazil, adopting a unique system, the titleholders enroll in author's rights associations that jointly administer the ECAD – Escritório Central de Arrecadação e Distribuição (Central Office for Collection and Distribution), which has the incumbency of unified collection of author's rights and other rights related thereto. Currently, the associations known as ABRAMUS, AMAR, SICAM SBACEM, SOCIMPRO and UBC manage and administer the ECAD, having on their staff titleholders of author's rights and of connected rights that, following criteria established in the distribution key prepared by such entities through the collective management of ECAD, are remunerated proportionately for the public performance of their works, phonographs and performances. Once again one can observe the clear concept of title, which is absolutely diverse from that of *copyright*.

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**UPCOMING EVENTS:**

**CONSULEGIS Spring Conference and AGM 2005 in Budapest (Hungary)**  
 April 28—May 1, 2005

The meeting will be hosted by:

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**CONSULEGIS Autumn Conference in Los Angeles (California)**  
 October 20 - 23, 2005.

The Conference will be held at the Loews Santa Monica Beach Hotel.  
 For information on the Conference Hotel, go to  
<http://www.santamonicaloewshotel.com>



The meeting will be hosted by:

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